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E.O. 12958: N/A  
TAGS: [ECON](#) [ETRD](#) [WTRO](#) [MY](#)  
SUBJECT: DEMARCHE REQUEST: WTO SERVICES NEGOTIATIONS

SENSITIVE BUT UNCLASSIFIED ENTIRE TEXT. PLEASE PROTECT  
ACCORDINGLY.

¶1. This is an urgent action request. See paragraph 7  
below. (Because of time constraints, we are unable to  
provide translations.)

#### Summary -----

¶2. The WTO Doha Round is moving into a critical stage of  
detailed negotiations across all elements of the single  
undertaking. As services is one of the three market access  
pillars of the Doha Round, along with Agriculture and  
Non-Agricultural Market Access (NAMA), we must see meaningful  
progress in services in order to achieve a strong Doha  
outcome by the end of 2008. To stress the importance of  
services and encourage participation in upcoming bilateral  
meetings and the proposed signaling conference, Post is  
requested to deliver the letter and background points in  
para. 8 and 9 to appropriate officials of the host government  
no later than February 27. End Summary.

#### Background -----

¶3. The Doha Round launched by WTO Members in November 2001  
is the USG's top trade priority. Services, agriculture, and  
industrial goods are the three core market-access negotiating  
groups of the Doha Round. Progress in all three groups will  
be essential to meet the objective of completing the  
negotiations by the end of 2008.

¶4. Since the launch of the Round, the United States has  
submitted two Doha Round services offers in 2003 and 2005 and  
has engaged in intensive bilateral and plurilateral  
negotiations. For the United States, a successful Doha  
package must include significant commitments from WTO members  
in our target sectors: financial services,  
telecommunications, express delivery, computer and related  
services, distribution, environmental, and energy services.  
As reported in December 2007 summaries of the plurilateral  
groups, few members have come forward to indicate that they  
will offer significant market access in services. On February  
12, WTO Services Chair DeMateo released a report on the  
status of the negotiations indicating areas of convergence  
and divergence between developed and developing countries. As  
noted in the report, the U.S., EU, and other members are  
seeking both the binding of existing practice and new market  
access commitments.

¶5. Currently, Doha negotiations are moving towards a  
potential Ministerial meeting and agreement on Agriculture  
and NAMA modalities. Revised texts in those two groups were  
released on February 8, and WTO Director General Lamy has  
called this step the final sprint towards establishing  
modalities. For many countries, including the United States,  
there will not be agreement on Agriculture and NAMA

modalities unless there is sufficient clarity that services will achieve a comparable level of ambition. This requires two elements: 1) a multilaterally agreed Chair's text to be agreed in parallel with Agriculture and NAMA modalities, and 2) a signaling exercise among the 25-30 Members engaged in the plurilateral market access negotiations.

¶6. The next step in the process is to urge Ministers from our eleven key target markets (Argentina, Brazil, China, Egypt, India, Indonesia, Malaysia, Philippines, South Africa, Thailand, and Turkey) to send negotiating teams, including capital-based sectoral experts, to Geneva the week of March 10 to engage in a series of intensive bilateral meetings with U.S. negotiators. These meetings would be followed by senior level discussions and culminate in a signaling exercise in the form of a ministerial event, ideally chaired by Director General Lamy, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the plurilateral negotiations. The letter in para. 8 provides further details on our country-specific sectoral requests.

#### Action requested

¶7. Please deliver the letter to the Minister responsible for trade, using the accompanying background points as appropriate, no later than February 27. (See para. 8 and 9) A signed copy of the letter will be sent to Post via email. Please slug responses to State EEB/TPP/MTA Carol Henninger and USTR Todd Nissen.

#### Text of Letter to be delivered as non-paper

¶8. Begin Text:

The Honorable Dato Seri Rafidah Aziz  
Minister of International Trade and Industry  
Ministry of International Trade and Industry  
Kuala Lumpur, Malaysia

Dear Minister Rafidah:

We are rapidly approaching a major decision point in the Doha Round; therefore, I wanted to stress the important role the services negotiations play in our thinking. Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the largest share of total economic output and the fastest growing component of GDP. For developing and developed countries alike, expanded trade in services promises significant opportunities for economic growth and development. In light of this economic and political reality, the Doha Round simply must achieve meaningful progress in services market access in order to receive broad support in the United States and other like-minded countries.

For this reason, the United States will not be able to agree to modalities on Agriculture and NAMA unless there is also agreement on a framework for services that gives us confidence that an equally ambitious outcome will be achieved. First, this requires that we produce a multilateral services text that contains general guidance on the level of market access we expect to achieve. We can be flexible in developing this guidance, but it is imperative that a services text proceed in parallel with the texts on Agriculture and NAMA and reflect a comparable level of ambition.

Second, we also need to have assurance that your next revised offer will contain meaningful improvements in commercially significant sectors that are the drivers of economic growth. In order to provide this assurance, we request your active participation in a signaling exercise that will take place over the next several weeks. More specifically, we request that you send a negotiating team to Geneva beginning the week of March 10, 2008, to engage in a series of intensive bilateral meetings aimed at providing greater understanding

of the content of the next set of services offers. These bilateral meetings would be followed by discussions at a more senior level and culminate in a ministerial event, ideally chaired by the Director-General, where oral commitments would be exchanged among Ministers from the 25-30 Members engaged in the services plurilateral market access negotiations. For purposes of the meetings beginning March 10, we request that you send experts who will have authority to negotiate market access commitments in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; computer; distribution; environmental; and energy services.

In order to help frame the discussion, we have identified below a number of key sectors in which we are looking for new commitments and a substantial reduction or elimination of limitations. Areas where we are seeking new commitments for sectors and modes of supply not currently in Malaysia's GATS offer include the following:

- Computer and related services (other CRS services);
- Distribution (full sector coverage);
- Energy services (services incidental to mining, related scientific and technical consulting, maintenance and repair of equipment);
- Environmental services (full sector coverage);
- Express delivery services (including commitments on a pro-competitive market);
- Financial services (mode 1 and 2 for MAT insurance, reinsurance, intermediation and auxiliary services for insurance; mode 1 for advisory, intermediation and other auxiliary financial services, provision and transfer of financial information, and for securities services for sophisticated consumers); and
- Telecommunication services (full coverage for basic and value added services, full Reference Paper commitments).

Areas where we seek the reduction or elimination of significant limitations in Malaysia's GATS offer include:

- Foreign equity participation in energy services, including engineering, integrated engineering, technical testing and analysis, and construction for civil engineering.
- Foreign equity participation in banking, securities, and insurance;
- Bank and insurance branching;
- New banking and insurance licenses; and
- Foreign equity participation in basic and value-added telecommunication services.

Finally, we also would like to address ongoing concerns regarding your horizontal policy for foreign acquisitions, mergers, and takeovers as it applies to foreign equity limitations.

In closing, I want to be clear that this is an important stage of the negotiations, but not the final stage. All offers, of course, remain provisional, with the negotiation of services commitments continuing up to the submission of final schedules.

I trust you share our goals of achieving a successful conclusion to the Doha Round and will devote the necessary resources to this exercise.

Sincerely,

Susan C. Schwab  
United States Trade Representative

End text of letter.

Background points

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19. Begin points.

- We are rapidly approaching a major decision point in the

Doha Round. At this juncture, we want to highlight the importance of the services negotiations to the United States.

- Services account for two-thirds of the U.S. economy and 8 out of 10 jobs. In many developing countries, services account for over 50 percent of jobs, and represent the largest share of total economic output and the fastest-growing component of GDP.
- The Doha Round must achieve meaningful progress in services in order to deliver on the development promise of the DDA and to receive broad support in the United States, including from our Congress.
- The United States will not be able to conclude an agreement on Agriculture and Non-Agricultural Market Access (NAMA) modalities without a clear sense that services will achieve a comparable level of ambition.
- To achieve the necessary progress in services, we request your commitment to engage constructively in the ongoing services text negotiations and in a signaling exercise.
- First, we request that you send a negotiating team to Geneva for bilateral meetings with the United States beginning March 10, 2008. The delegation should have expertise in the following sectors: financial (banking, securities and insurance); telecommunications; postal and courier, including express delivery; computer; distribution; environmental; and energy services.
- Following the bilateral meetings, we expect senior officials to hold further discussions leading to a ministerial level signaling event.
- We trust you share our goals of achieving a successful Doha Round conclusion this year and will thus devote the necessary resources to the services negotiations.

End background points.

End action requested.

¶10. Department appreciates post's assistance.  
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